

**PUBLIC HEARING ON**

**Bill 17-0453, the “Disposition and Redevelopment of Lot 854 in Square  
441 Approval Act of 2007”**

**Before the  
Committee on Finance and Revenue  
Council of the District of Columbia  
Councilmember Jack Evans, Chairman  
-and the-  
Committee on Economic Development  
Council of the District of Columbia  
Councilmember Kwame Brown, Chairman**

**November 15, 2007  
10:00 a.m  
Room 120, John A. Wilson Building**



**Testimony of  
John Ross  
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For Economic Development Finance**

**Natwar M. Gandhi  
Chief Financial Officer  
Government of the District of Columbia**

Good morning Chairman Evans, Chairman Brown, members of the Committee on Finance and Revenue, and members of the Committee on Economic Development. I am John Ross, Senior Advisor to the Chief Financial Officer for Economic Development. I am pleased to testify today on Bill 17-0453, the “Disposition and Redevelopment of Lot 854 in Square 441 Approval Act of 2007”.

The proposed legislation authorizes a disposition of District land in accordance with an LDA to be entered into between the District and Broadcast Center Partners and Broadcast Residential Partners. The legislation also authorizes a 10-year real property tax abatement of \$340,000 per year, the creation of a Tax Increment Finance (TIF) Area, and the issuance of up to \$11 million in TIF bonds to provide an \$8.6 million subsidy for project costs. These subsidies, in addition to other District subsidies, will be used to encourage Radio One to relocate to the District. The overall subsidy package to the Broadcast Center One Project of approximately \$23.2 million will also provide affordable housing,

affordable retail spaces, and parking spaces to support the redevelopment of the Howard Theatre.

The property being disposed of was recently appraised with a value of \$6,656,000. While the terms of the disposition have not been finally set, the current proposal is to transfer the land to the developer at no cost. This transfer will result in a decline in net assets of the District of \$6,656,000. This reduction in value does not impact the Budget and Financial Plan because the value of assets is not part of the Budget and Financial Plan.

The Broadcast Center One project is located within the Downtown TIF area. Tax increment from the Downtown TIF is already pledged to pay debt service on the Gallery Place and Mandarin TIF bonds, should tax increment from the projects themselves be insufficient to pay those bonds. Therefore, a Radio One TIF bond would have to be subordinate to this first pledge.

The TIF area created through the proposed legislation is unlikely to support an \$11 million bond issuance. If the District were required to publicly sell the TIF bond, the construction risk, the subordination, and the additional costs of issuance of a public offering would require a District backing of the debt. Depending on the structure, the District could be required to set aside approximately \$1 million a year in the budget to support an \$11 million TIF for Broadcast Center One, beginning in FY 2010.

Finally, the proposed legislation gives the developer a tax abatement of \$340,000 per year in property tax for 10 years, as long as Radio One is a tenant in the building and is occupying at least 50,000 square feet of office space. Again, because the project is located in the Downtown TIF, all incremental taxes are pledged to the Downtown TIF area. This makes it infeasible to provide a tax abatement. Therefore, the \$340,000 annual subsidy would have to be budgeted from the General Fund.

Thank you for this opportunity to comment. I would be glad to answer any questions you or members may have.